

VIRGINIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION

*One Bowdoin Square
Boston, MA 02114-2916
(617) 227-7020 (800) 852-2003
Accounting and Administration Departments Fax: (617) 227-8903
Claim Department Fax: (617) 305-0001*

Via Certified Mail/Return Receipt Requested

March 18, 2014

The Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Re: Virginia Property and Casualty Insurance Guaranty Association (the "Association")
Annual Report of the Association for the Year Ending December 31, 2013

Dear Commissioner Cunningham:

Pursuant to the Association Act, enclosed herewith for filing please find duly executed original Annual Report of the Association for the year ending December 31, 2013.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,



Paul M. Gulko
Executive Secretary

Enclosure

cc: The Board of Directors of the Association

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March 18, 2014

To: THE COMMISSIONER OF INSURANCE (the “Commissioner”) AND THE MEMBER INSURERS OF THE VIRGINIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION (the “Association”)

Re: The Annual Report of the Association for the Year ending December 31, 2013

During 2013, there were five new insolvencies reported to the Association. On May 14, 2013, the Board of Directors of the Association (the “Board”) met and voted to accept the insolvencies of American Manufacturers Mutual Insurance Company, American Motorists Insurance Company and Lumbermens Mutual Casualty Company, which had been declared insolvent and ordered liquidated by the State of Illinois. On June 7, 2013, the Board met and voted to accept the insolvency of Ullico Casualty Company, which had been declared insolvent and ordered liquidated in the State of Delaware. On October 27, 2013, the Board met and voted to accept the insolvency of Gramercy Insurance Company, which had been declared insolvent and ordered liquidated in the State of Texas. The Board decided that the administration of these insolvencies would be provided by Guaranty Fund Management Services[®] (“GFMS[®]”).

On May 14, 2013, the member insurers of the Association held their Annual Meeting at the offices of Troutman Sanders LLP, in Richmond, Virginia.

The member insurers received and considered the report of the Executive Secretary regarding the ballots transmitted by the member insurers with instructions to vote in favor of the following nominees as Directors:

Hartford Accident & Indemnity Company
State Farm Mutual Automobile Insurance Company

The Chair thereupon directed the Executive Secretary to cast one vote for the election of the nominees as Directors for a three-year term, expiring in 2016.

The Chair presented the 2012 Annual Report of the Association to the member insurers. The member insurers thereupon voted that the Annual Report be accepted.

The Plan of Operation was reviewed and the membership concluded that no amendments thereto were recommended at this time.

The annual meeting of the member insurers was thereafter adjourned.

Immediately subsequent thereto, the Board held its Annual Meeting. L. Gerald Roach, Douglas Joyce, Paul Gulko, James Winskowicz, and Kathleen Lavin were elected, Chair, Vice Chair,

Executive Secretary, Claims Manager and Treasurer, respectively, of the Association. The Board discussed and/or voted the following items.

The Board reviewed the Plan of Operation and no amendments thereto were suggested.

The Board also reviewed the outstanding contract with GFMS, and no changes were recommended.

The Board received and considered reports concerning claims and recoveries from receivers.

The Board received a report concerning a claim audit performed earlier in 2013.

The Treasurer presented to the Board the audited financial statements of the Association, as approved by the Audit Committee. The Board thereupon voted that such audited financial statements be accepted.

Edward H. Starr, Association counsel, reported to the Board concerning his activities for the prior year, addressing specifically ongoing issues concerning Reciprocal of America and issues related to the reimbursement by the Association of medical bills paid previous by other entities.

On October 27, 2013, the Board held a meeting in Washington, D.C., in conjunction with other meetings of the member guaranty associations of GFMS and its committees, and addressed the following matters.

The Board reviewed the financial condition of the Association, and its operating expenses and covered claim costs, in order to determine whether an assessment or a refund of prior assessments would be appropriate. The Board further determined that neither an assessment nor a refund was warranted at this time.

Mr. Starr updated the Board as to the status of the legal matters involving the Association.


The member insurers currently serving on the Board and their designated representatives are:

MUTUAL ASSURANCE SOCIETY OF VIRGINIA	L. Gerald Roach
ALFA ALLIANCE INSURANCE CORPORATION	Douglas Joyce
ALLSTATE INSURANCE COMPANY	L. Noel Patterson, Jr.
VIRGINIA FARM BUREAU MUTUAL INSURANCE COMPANY	Richard Mattox
HARTFORD ACCIDENT & INDEMNITY COMPANY	Jay L. Bruns III
UTICA MUTUAL INSURANCE COMPANY	Matthew Lupino
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	Peggy Echols
CONTINENTAL CASUALTY COMPANY	Richard Ehlers
UNITED SERVICES AUTOMOBILE ASSOCIATION	Donna Leaman

The Statement of Account of the Association, from inception through December 31, 2013, and its Balance Sheet for the same period, are attached hereto and made a part hereof.

Respectfully submitted,

The Board of Directors of the
VIRGINIA PROPERTY AND
CASUALTY INSURANCE
GUARANTY ASSOCIATION

By its Chair 
L. Gerald Roach

VIRGINIA P&C INSURANCE GUARANTY ASSOCIATION
Balance Sheet
December 31, 2013

	<u>Inception To Date</u>
Assets:	
Checking & Short-Term Cash	\$3,299,679.67
Investments	<u>141,505,535.87</u>
Total Assets	<u><u>\$144,805,215.54</u></u>
Fund Balance	<u><u>\$144,805,215.54</u></u>

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Virginia Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Total All Insolvencies

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	-	\$360,902.16
Member Assessment	-	242,840,495.00
Loan	-	327,205.55
Recovery	5,057,729.82	150,795,875.64
Interest Income	1,670,238.53	47,133,326.70
Total Receipts	6,727,968.35	441,457,805.05
DISBURSEMENTS:		
Claims Paid	7,629,491.24	148,364,150.92
Helmsman Claims Paid	363,774.42	17,343,413.74
Claims Expense Paid	582,927.10	25,646,233.93
Helmsman Claims Expense Paid	3,844.31	1,709,235.98
Premium Refund	985.00	4,203,468.62
Member Refund	-	66,071,796.00
Operating Expenses:		
G.F.M.S.	1,554,767.24	27,085,347.08
Legal & Audit	62,314.85	3,399,775.23
Travel	9,378.25	273,225.84
NCIGF Fee	84,509.00	1,058,992.13
Insurance	7,810.00	45,837.00
Other	42,723.82	746,318.28
Administrative Expense	-	359,505.05
Interest	-	18,084.16
Loan	-	327,205.55
Total Operating Expenses	1,761,503.16	33,314,290.32
Total Disbursements	10,342,525.23	296,652,589.51
Funds Available	(\$3,614,556.88)	\$144,805,215.54
Reserves:		
Claims Liability Auto		66,707.90
Claims Expense Liability Auto		13,773.95
Subtotal Auto		80,481.85
Claims Liability Other		352,113.00
Claims Expense Liability Other		67,526.99
Unearned Premium Liability Other		-
Subtotal Other		419,639.99
Claims Liability Workers		138,952,002.90
Claims Expense Liability Workers		3,065,815.47
Unearned Premium Liability Workers		873.14
Subtotal Workers		142,018,691.51
Total Reserves		\$142,518,813.35
Funds Available Per Account		
Auto		\$200,563.38
Other		5,912,865.72
Workers		138,364,914.86
Total		\$144,478,343.96

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Virginia Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Administrative

	Year To Date	Inception To Date
RECEIPTS:		
Member Assessment Administrative	\$209,219.83	\$537,209.66
Loan	-	327,205.55
Recovery	-	466,172.83
Interest Income	7,025.77	7,025.77
Total Receipts	216,245.60	1,337,613.81
DISBURSEMENTS:		
Operating Expenses:		
Other	-	1,000.00
Administrative Expense	-	118.25
Loan	-	327,205.55
Total Operating Expenses	-	328,323.80
Total Disbursements	-	328,323.80
Funds Available	\$216,245.60	\$1,009,290.01
Reserves:		
Total Reserves	-	-
Funds Available Per Account		
Auto		(\$3,924.12)
Other		22,435.30
Workers		663,907.25
Total		\$682,418.43

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**Virginia Property & Casualty Insurance Guaranty Association
Statement of Cash Receipts and Disbursements
From Inception Through December 31, 2013
Consolidated Statement of Closed Insolvencies**

	<u>Inception To Date</u>
RECEIPTS:	
Member Assessment Administrative	(\$176,307.50)
Member Assessment	20,131,460.00
Recovery	9,260,701.25
Interest Income	3,160,777.73
Total Receipts	32,376,631.48
DISBURSEMENTS:	
Claims Paid	8,895,832.30
Helmsman Claims Paid	318,804.46
Claims Expense Paid	1,907,536.96
Helmsman Claims Expense Paid	43,217.63
Premium Refund	1,018,268.81
Member Refund	16,374,363.00
Operating Expenses:	
G.F.M.S.	2,199,252.82
Legal & Audit	702,598.48
Travel	108,088.98
NCIGF Fee	157,364.61
Other	273,832.47
Administrative Expense	359,386.80
Interest	18,084.16
Total Operating Expenses	3,818,608.32
Total Disbursements	32,376,631.48
Funds Available	-

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